

## The Chattanooga Subregion



Corrugated Replacements, in Blairsville, Georgia, manufactures replacement parts for corrugated-box machinery. The new company received assistance in the form of a \$300,000 loan from TVA's Economic Development Loan Fund. It expects to have a workforce of 90 by next year.

**T**he Chattanooga subregion expanded rapidly in the early 1990s, led by strong growth in manufacturing. Although the pace decelerated more sharply than in the rest of the Valley in 1995, the subregion has seen moderate improvement since then and is expected to grow at roughly the regional average in 1998.

Early in the decade, manufacturing posted strong, broad-based gains in both durables and nondurables. Durables' growth took place across the board but was particularly vigorous in the auto-related industry, although this expansion was magnified by the fact that it started from a very small base.

For nondurables, the healthy increase was due to a surge in textiles (about 60 percent of jobs in this sector are in the north Georgia carpet industry, which includes two of the largest Edge 100 firms, Shaw Industries and Mohawk Industries). The expansion was all the more remarkable in that it arose from an already very large base; textiles employment alone is a third again as large as em-

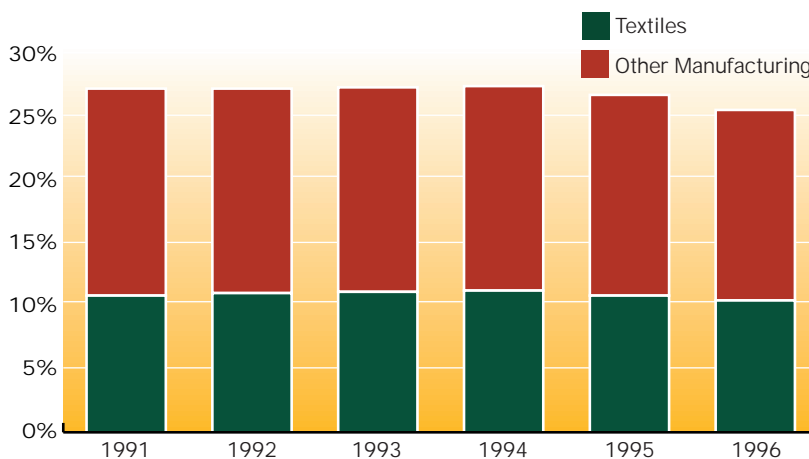
ployment in all the durables industries put together. The chart below shows that textiles accounted for about 11 percent of total non-farm payroll jobs in the subregion and grew in share throughout the early 1990s.

That growth ended with the national slowdown in 1995, and the industry has only recently shown signs of accelerating again. Sustained solid growth in the nation's economy, especially in housing and commercial construction, is expected to lead to continued expansion of the carpet industry. Demand for other textiles, particularly those made for export, should also increase, and textiles overall are expected to see moderate growth next year. As the apparel-industry decline eases and improvement in the paper, printing, and publishing industry continues in the subregion, nondurables manufacturing is expected to register faster-than-regional growth next year.

Growth in durables employment was very slow, but it did not decline. In 1998 that slower-than-regional pace is expected to continue as the weakness in metals offsets stronger growth in the auto-related industry. For instance, Denso Manufacturing Tennessee's new plant, which will build automobile oxygen sensors and fuel-injection systems, will be fully operational next year.

Outside manufacturing, Chattanooga's industry is healthy and well diversified. Service-sector growth will moderate, however, because mergers in banking, insurance, and health care have led to some downsizing. Tourism has improved over 1996 levels and is expected to expand further next year. Overall, growth in the subregion's service industry should occur at about the same rate as the regional average in 1998.

MANUFACTURING AS A PERCENTAGE OF TOTAL NONFARM EMPLOYMENT



Textiles, mainly carpets, represent 11 percent of nonfarm payroll employment.